



GARY R. HERBERT
Governor

GREGORY S. BELL
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

September 16, 2011

CERTIFIED RETURN RECEIPT

7004 1160 0003 0191 9400

Robert Steele and Tony Peck
1055 North 400 East
Nephi, Utah 84648

Subject: Evaluation of Reclamation Surety, Mine Plan, and Mine Site; Robert Steele and Tony Peck; Nephi Gypsum Quarry; M/023/0011; Juab County, Utah

Dear Messrs. Steele and Peck:

The Division of Oil, Gas and Mining's last reclamation cost estimate for the Nephi Gypsum quarry was completed in 2006 and escalated to 2011 dollars, so the reclamation surety amount is now due for review and adjustment. The Division may adjust the amount of reclamation surety as the result of a periodic review taking into account inflation/deflation based on an acceptable cost index (R647-4-113.6).

By November 14, 2011, please submit either: 1. A new reclamation cost estimate, or 2. An increased surety based on per-acre calculations. These items are discussed below. Also discussed below is a maintenance item noted in a recent inspection.

Reclamation Cost Estimate

Spreadsheets available on the Division's web site at http://linux1.ogm.utah.gov/WebStuff/wwwroot/minerals/bonding_worksheets.html were developed to assist both the Division and mine operators to calculate the reclamation surety amount using standard unit costs. Please complete these forms and return a copy to the Division for review. Once the forms have been reviewed, the Division will ask that you adjust the amount of surety to reflect the current reclamation cost estimate. **Please submit the reclamation cost estimate as an amendment to the Notice of Intention to Commence Large Mining Operations (LMO).**

If you have questions about the spreadsheet or calculations, please contact Wayne Western at 801-538-5263 or by e mail at waynewestern@utah.gov.

Operator Name
Page 2 of 2
Mine ID
Date

Per-Acre Costs

As an alternative to submitting the detailed cost estimate, you may submit a surety based on average costs per acre. Although the amount calculated by this method is likely to be higher than a site-specific estimate, it is an easier calculation. For a surety escalated five years into the future, the costs are \$4900.00 per acre plus \$3300.00 for mobilizing each piece of equipment. The Division's records indicate the disturbed area for the Nephi Gypsum quarry is 12 acres, and we assume two pieces of equipment would be needed to complete reclamation. The cost estimate is:

Acreage	12 X \$4900 = \$58,800
Mobilization	2 X \$3300 = \$6600
Total	\$65,400

This is an increase of \$29,400.00 from your current surety of \$36,000.00.

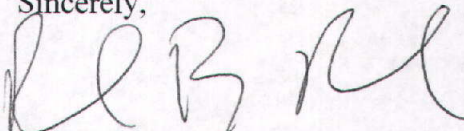
Your current mine plan does not contain a detailed reclamation plan that can be used to calculate the bond amount. Because the plan lacks sufficient details to calculate the reclamation cost estimate, you will either have to provide the Division with a detailed cost estimated based on the reclamation plan or use the Division's per acre costs for reclamation.

Trash Cleanup

In an inspection conducted July 14, 2011 (copy of the report enclosed), the inspector found significant trash at the mine site including trash on the berms. This needs to be cleaned up by October 7, 2011, or it is likely a notice of violation will be issued.

Thank you for your cooperation. Please call me at 801-538-5261 or Wayne Western at 801-538-5263 if you have questions about this letter.

Sincerely,



Paul B. Baker
Mining Program Manager